

# HOUSE BILL REPORT

## HB 2175

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**As Reported by House Committee On:**  
Commerce & Labor

**Title:** An act relating to restrictions on charitable or nonprofit organizations involved in gambling.

**Brief Description:** Regulating charities involved in gambling.

**Sponsors:** Representatives Wood and Conway.

**Brief History:**

**Committee Activity:**

Commerce & Labor: 2/28/05, 3/1/05 [DPS].

**Brief Summary of Substitute Bill**

- Prohibits participation in the management, operation or ownership of any commercial gambling activity by a charitable or nonprofit organization or its employees.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Sump, Assistant Ranking Minority Member; Crouse, Hudgins and McCoy.

**Staff:** Rebekah Ward (786-7106).

**Background:**

Various commercial and charitable/nonprofit gambling activities are authorized in Washington and are subject to the rules of the Gambling Commission (Commission).

Charitable/Nonprofit Gambling Activities

Every organization that wishes to conduct charitable/nonprofit gambling in the state is required to identify its stated purposes according to the categories listed in statute.

Organizations are required to show that they have been organized "primarily for purposes other than the operation of gambling activities." The permitted purposes in the law include:

- agricultural
- athletic
- charitable
- civic

- educational
- fraternal
- patriotic
- religious, and
- social.

The original rationale for authorizing charitable and nonprofit gambling was to benefit the stated purposes of the charitable and nonprofit organizations that operate games. In order to enforce the "stated purpose" provision, the Commission requires a statement of purpose by the organization on its application for licensure or re-licensure. In 1983, the Commission defined stated purpose as "all rules and guidelines set out in the organization's constitution and/or bylaws which have been approved and are on file with the Commission." The Commission requires that all charitable/nonprofit applicants demonstrate on initial applications and annually thereafter the progress they have made toward meeting their stated purpose.

In 2000, the Commission adopted a rule that prevented charitable or nonprofit organizations from forming for-profit corporations in an effort to clarify and make a clear distinction between commercial businesses and charitable/nonprofit organizations.

Charitable/nonprofit gambling activities are limited to bingo games, raffles, amusement games, social card games, punch boards, and pull tabs.

#### Commercial Gambling Activities

Commercial gambling activities approved by the Commission include the use of punch boards, pull tabs, and social card games as commercial stimulants.

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#### **Summary of Substitute Bill:**

Owners, managers, and employees of a charitable or nonprofit organization may not participate in the management, operation, or ownership of a commercial for-profit gambling operation.

#### **Substitute Bill Compared to Original Bill:**

The original bill prohibits those involved in the management, operation or ownership of nonprofit/charitable organizations from also working in commercial gambling establishments. The substitute bill prohibits only those employees of a nonprofit organization who are the highest ranking managers or who exercise substantial control in the daily management of the nonprofit/charitable organization from working in both nonprofit and commercial establishments.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** The agency rule that prohibits employees, managers, and owners from working in both charitable/nonprofit organizations and commercial gambling establishments was passed five years ago, but was overturned by a the Washington State Superior Court (Court) ruling in January on Constitutional grounds. The Court found the Commission's rule was over broad and unconstitutional. The agency rule originally came about when Senator Prentice was having round tables across the state, and the agency received an application from a booster club who was also wanting to be involved in a for-profit gambling operation (this was the subject matter of the litigated court case).

Although a fiscal note has not yet been released, it has been returned and shows no fiscal impact.

**Testimony Against:** There are concerns with the application of the bill and the way it is currently worded as preventing floor workers who often times have second jobs as dealers, from being employed in both types of establishments. There is a recognition that "primary managers" should be prevented from maintaining employment in both types of establishments, but most of the secondary managers are paid only \$10 to \$12 an hour, and the intent of the agency rule is not to restrict this type of employee from having those two separate employments. Additionally, "Reno nights" have been very lucrative for the nonprofit industry, and although there is a recognition that it is a large leap from a bingo hall to a mini casino, the profits simply must go towards the "stated purpose" of the nonprofit/charitable organization to comply with the law.

There are also concerns with the language involving "ownership," because there is opposition to surrendering the right of nonprofit/charitable organizations to be owners of a for-profit corporation. There is a perceived disparity in this.

**Persons Testifying:** (In support) Amy Hunter, Legislative Liason for the Washington State Gambling Commission.

(Opposed) Jimmy Fursman, Cascade Youth Music Association; and Ric Newgard, Washington Charitable Civic Gaming.

**Persons Signed In To Testify But Not Testifying:** None.